



Department of Justice

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AT
(202) 616-2771
TDD (202) 514-1888

AMERICAN AIRLINES CLEARED TO ACQUIRE STOCK IN ARGENTINE AIRLINE

American Relinquishes Board Representation and Voting Rights Options in Restructured Deal

WASHINGTON, D.C. -- The Department of Justice today cleared American Airlines' proposed acquisition of about 8.5 percent of Aerolineas Argentinas--Argentina's major airline--after American said that it would restructure the acquisition in response to the Department's antitrust objections. Under the restructured transaction, American will not have any representatives on the Aerolineas board of directors and will relinquish its right to vote its shares to influence competitive decisions by Aerolineas.

American and Aerolineas, along with United Airlines, are the only carriers that serve the U.S.-Argentina market, including the New York-Buenos Aires and Miami-Buenos Aires routes. Entry and expansion on these routes is limited by a restrictive bilateral aviation treaty between Argentina and the United States.

"When there are only three airlines serving a market, it is important to maintain their competitive independence, especially in a restricted market such as this," said Joel I. Klein, Assistant Attorney General in charge of the Department's Antitrust Division.

A state holding company in Spain and various financial institutions currently own about 85 percent of Aerolineas, which has been suffering significant financial losses. Under the proposed transaction, American will invest \$25 million in Aerolineas by purchasing a portion of

the Spanish holdings and will undertake to find third-party investors for most of the remainder, which could take as long as six months. Aerolineas' current management will be replaced and will include two former American Airlines executives, at least until the remainder of the Spanish interests are sold. Under the terms of the transaction, the Spanish interests also have the right to sell directly to third parties.

Under the original proposal, American would have had a representative on the Aerolineas board of directors, as well as permanent rights to veto certain large investment decisions by Aerolineas. Under the restructured transaction, American will have no director on the Aerolineas board and will have limited shareholder rights only until the Spanish interests are sold to third parties, at which time it will become a passive investor. The Department said that it reserves the right to challenge the transaction in the future if it appears that American will have the ability to influence Aerolineas' competitive decisions affecting U.S. markets or to engage in anticompetitive coordination with that airline.

American and Aerolineas have also been negotiating a "code-share" agreement that would permit the carriers to market seats on one another. The Department noted that it has concerns about that agreement and that it remains free to challenge the agreement under the antitrust laws if, at the end of its investigation, it concludes that it is anticompetitive.

The Department emphasized that today's decision is separate from its review of the proposed code-share agreement.

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